

MOST-FAVORED-NATION TREATMENT FOR BULGARIA

JUNE 27, 1995.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means,
submitted the following

REPORT

[To accompany H.R. 1643]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1643) to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Bulgaria, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.R. 1643 authorizes the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Bulgaria.

B. BACKGROUND AND NEED FOR LEGISLATION

Prior to 1951, the United States extended nondiscriminatory, or most-favored-nation (MFN), treatment to all of its trading partners, in accord with obligations undertaken when the United States joined the General Agreement on Tariffs and Trade (GATT) in 1948. However, the Trade Agreements Extension Act of 1951 directed the President to withdraw or suspend the MFN status of the Soviet Union and all countries under the domination of international communism. As implemented, the directive was applied to all then-existing communist countries except Yugoslavia. Poland's MFN status was restored by Presidential directive in 1960.

At present, Bulgaria's MFN status is regulated by Title IV of the Trade Act of 1974, the provision of U.S. law which contains the so-called Jackson-Vanik amendment. Section 401 of the Act directs

the President to continue to deny MFN treatment to any country to which it was denied on the date of the enactment of the Trade Act. A country subject to the ban imposed by section 401 may gain MFN status only by fulfilling two basic conditions: (1) compliance with the requirements of the freedom-of-emigration provisions under section 402 of the Trade Act; and (2) conclusion of a bilateral commercial agreement with the United States under section 405 of the Trade Act providing for reciprocal nondiscriminatory treatment. Section 402 also authorizes the President to waive the requirements for full compliance of the particular country with the Jackson-Vanik requirements, if he determines that such waiver will substantially promote the objectives of the freedom-of-emigration provisions and if he has received assurances that the emigration practices of the country will lead substantially to the achievement of those objectives.

Bulgaria first received MFN status from the United States under a Presidential waiver from the Title IV freedom-of-emigration requirements in 1991. Since 1993, Bulgaria has received nondiscriminatory treatment pursuant to the President's determination that the country is in full compliance with the Title IV freedom of emigration requirements.

The political and economic circumstances in Bulgaria has changed considerably since the enactment of Title IV. The communist government in Bulgaria has collapsed and a constitutional republic has been established. A democratically elected government has taken office which has instituted basic market-oriented principles, including privatization, in the Bulgarian economy. In its bilateral relations with the United States, Bulgaria has indicated a strong desire to build friendly relationships and to cooperated full with the United States on trade matters. The Committee believes that these developments in Bulgaria justify the normalization of U.S. trade relations with Bulgaria by authorizing the removal of the application of Title IV from Bulgaria.

Moreover, the extension of permanent and unconditional MFN status to Bulgaria, as has been done for other Eastern European countries, would enhance our bilateral trade relations with that country and foster the economic development of the region by providing the business community with greater certainty with respect to Bulgaria's status under U.S. law. At the present time, Bulgaria is in the process of acceding to the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). For this reason, the extension of unconditional MFN treatment to Bulgaria is also necessary in order for the United States to avail itself of all GATT and WTO rights vis-a-vis Bulgaria at the time of the country's accession to the agreements.

C. LEGISLATIVE HISTORY

Committee bill

H.R. 1643 was introduced on May 16, 1995, by Mr. Crane of Illinois and Mr. Rangel of New York and referred to the Committee on Ways and Means. The bill as introduced contained two provisions: (1) granting the President the authority to determine that Title IV of the Trade Act of 1974 should no longer apply with re-

spect to that Bulgaria and to proclaim the extension of nondiscriminatory treatment to the products of that country; and (2) providing that Title IV of the Trade Act of 1974 shall cease to apply with respect to Bulgaria on and after the effective date of the President's proclamation.

The Subcommittee on Trade of the Committee on Ways and Means marked up the bill on May 18, 1995, and ordered the bill to be favorably reported without amendment by voice vote.

The Committee on Ways and Means marked up the bill on June 20, 1995, and ordered the bill to be favorably reported without amendment by a voice vote.

Legislative hearing

The Subcommittee on Trade of the Committee on Ways and Means issued a request for written public comment on the extension of permanent and unconditional MFN to the products of Bulgaria on April 19, 1995. The deadline for submission of comment was May 11, 1995. The Subcommittee received comments in favor of the proposed extension and no comments in opposition to it.

II. EXPLANATION OF THE BILL

A. CONGRESSIONAL FINDINGS AND SUPPLEMENTAL ACTIONS (SEC. 1 OF THE BILL)

Present law

Bulgaria's MFN status is regulated by Title IV of the Trade Act of 1974, the provision of U.S. law which governs the extension of MFN tariff treatment to nonmarket economies. Title IV sets forth three requirements relating to freedom of emigration which must be met, or waived by the President, in order for him to grant MFN status to a nonmarket economy. The law also requires that a trade agreement providing MFN status remain in force between the United States and the nonmarket economy country receiving MFN and sets forth minimum provisions which must be included in such an agreement.

Explanation of provision

The provision contains the findings of the Congress that Bulgaria: (1) has received MFN treatment since 1991 and has been found to be in full compliance with the freedom of emigration requirements under Title IV of the Trade Act of 1974; (2) has reversed many years of communist dictatorship and instituted a constitutional republic ruled by a democratically-elected government as well as basic market-oriented reforms, including privatization; (3) is in the process of acceding to the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) and extension of unconditional MFN treatment would enable the United States to avail itself of all rights under the GATT and WTO with respect to Bulgaria; and (4) has demonstrated a strong desire to build friendly relationships and to cooperate fully with the United States on trade matters.

Congress also notes in this provision that the United States Trade Representative intends to negotiate with Bulgaria in order to preserve the commitments of that country under the bilateral

commercial agreement in effect between that country and the United States that are consistent with the GATT and the WTO.

Reasons for change

The provision notes developments in Bulgaria's domestic political and economic situation, as well as developments in the country's bilateral trade relations with the United States and its multilateral trade objectives.

Effective date

The provision is effective upon enactment.

B. TERMINATION OF APPLICATION OF TITLE IV OF THE TRADE ACT OF 1974 TO BULGARIA (SEC. 2)

Present law

Bulgaria's MFN status is regulated by Title IV of the Trade Act of 1974, the provision of U.S. law which governs the extension of MFN tariff treatment to nonmarket economies. Title IV sets forth three requirements relating to freedom of emigration which must be met, or waived by the President, in order for him to grant MFN status to a nonmarket economy. The law also requires that a trade agreement providing MFN status remain in force between the United States and the nonmarket economy country receiving MFN and sets forth minimum provisions which must be included in such an agreement.

Explanation of provision

The provision grants the President the authority to determine that Title IV of the Trade Act of 1974 should no longer apply to Bulgaria and after making such a determination to proclaim the extension of nondiscriminatory treatment to the products of Bulgaria. Once the President has issued this proclamation, the provision removes the application of Title IV of the Trade Act of 1974 from Bulgaria.

Reasons for change

Since the collapse of its communist dictatorship, Bulgaria has established a constitutional republic, held democratic elections and adopted basic market-oriented reforms, including privatization. Extension of permanent and unconditional MFN status to Bulgaria, as has been done for other Eastern European countries, would enhance our bilateral trade relations with that country and foster the economic development of the region by providing the business community with greater certainty with respect to Bulgaria's status under U.S. law. Bulgaria has also indicated a strong desire to build friendly relationships and to cooperate fully with the United States on trade matters. At present, Bulgaria is in the process of acceding to the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). For this reason, the extension of unconditional MFN treatment to Bulgaria is necessary in order for the United States to avail itself of all GATT and WTO rights vis-a-vis Bulgaria at the time of the country's accession to the agreements.

Effective date

The provision is effective upon enactment.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(1)(2)(B) of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee in its consideration of the bill, H.R. 1643.

Motion to report the bill

The bill, H.R. 1643, was ordered favorably reported, without amendment, by voice vote on June 20, 1995, with a quorum present.

IV. BUDGET EFFECTS

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this bill, H.R. 1643, as reported:

The Committee agrees with the estimate prepared by CBO, which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with subdivision (B) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.R. 1643 do not involve any new budget authority, or any increase or decrease in revenues or tax expenditures.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (C) of clause 2(1)(3) of rule XI of Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 22, 1995.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 1643, a bill to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Bulgaria, as ordered reported on June 20, 1995, by the Committee on Ways and Means. CBO estimates that extending most-favored-nation (MFN) status to the products of Bulgaria would have no budgetary effect over fiscal years 1995 through 2000. Because H.R. 1643 could affect receipts, pay-as-you-go procedures would apply to the bill.

Under Title IV of the Trade Act of 1974, MFN status may not be conferred on a country with a nonmarket economy if that coun-

try maintains restrictive emigration policies. The President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in that country. Under current law, Bulgaria is subject to the requirements of Title IV. However, it has received MFN treatment since 1991 through a Presidential waiver and has fully complied with the freedom of emigration requirements since 1993.

H.R. 1643 would grant the President the authority to stop applying Title IV of the Trade Act of 1974 to Bulgaria, thereby allowing Bulgaria to receive MFN status on a permanent basis. The CBO baseline revenue projections assume that MFN status for Bulgaria will be extended on an annual basis through a Presidential waiver. Therefore, enacting H.R. 1643 would have no budgetary impact when measured relative to the CBO baseline.

If you wish further details, please feel free to contact me or your staff may wish to contact Melissa Sampson.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill, Director).

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to subdivision (A) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's oversight activities concerning Bulgaria's MFN status that the committee concluded that it is appropriate to enact the provisions contained in the bill.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

With respect to subdivision (D) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that no oversight findings or recommendations have been submitted to this Committee by the Committee on Government Reform and Oversight with respect to the provisions contained in this bill.

C. INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the bill are not expected to have an overall inflationary impact on prices and costs in the operation of the national economy. As is indicated above (in Part IV of this report), the bill is projected to be deficit neutral over fiscal year 1995–2000.